



DEPARTMENT OF THE AIR FORCE
WASHINGTON DC



19 DEC 2003

MEMORANDUM FOR ALMAJCOM/CE/DP/FM/XP/FOA/DRU

FROM: HQ USAF/ILE
1260 Air Force Pentagon
Washington DC 20330-1260

SUBJECT: Policy for Funding Utilities Privatization (UP) Contracts (AF/IL Revised Utilities Privatization Program Guidance, 23 Oct 02)

The attached policy is established for programming and funding UP contracts. This policy will ensure accurate and consistent budgeting and programming across the Air Force. If members of your staff have questions, please contact Mr. Ken Miller, AF/ILEXO, DSN 664-4304, ken.miller@pentagon.af.mil.


L. DEAN FOX, Maj Gen, USAF
The Civil Engineer
DCS/Installation & Logistics

Attachment:
Policy and Procedures for Programming and
Funding Utilities Privatization

cc:
HQ AFCEA/CC
HQ USAF/ILER

Programming and Funding Policy and Procedures

For Utilities Privatization Contracts

1. This document provides Air Force policy for planning, programming, budgeting and funding of Utility Privatization (UP) contracts. MAJCOMs shall establish the appropriate Element of Expense Investment Codes (EEICs) as outlined in this policy memo.

2. When utility systems are privatized, real property records must be adjusted to reflect the transfer of utility systems to a new owner. To do so, MAJCOMs must reconcile the UP Bill-of-Sale (BoS) to determine appropriate changes and/or deletions in the real property record data fields. Changes shall be made no later than 30 days after the conclusion of the contract transition period. Provide data from the following eight real property record fields:

- Installation Code
- Facility ID Number
- Inventory Control Type
- Category Code
- Area Amount
- Area Unit of Measure for the Category Code
- Other Amount
- Other Unit of Measure for Category Code

Within the same 30-day period, MAJCOMs shall use the BoS and real property records to calculate and submit the Plant Replacement Value (PRV) of the privatized system to HQ USAF/ILE. HQ USAF/ILEPP will validate real property records and PRV data. HQ USAF/ILEXO will report the PRV of the privatized system in the quarterly report to OSD.

3. Unless the successful offeror (SO) specifically proposes it, the commodity will not normally be part of the UP bill. The new UP cost is for Operations and Maintenance (O&M) of the system itself, including Sustainment, Restoration & Modernization (SRM) and Operations and Services (O&S) in Real Property Services (RPS). For a non-privatized system (i.e., government-owned), the commodity cost and service contracts are captured within the RPS account (Program Element (PE) ***79F). The SRM cost for the distribution system is captured in either Sustainment (PE ***78F) or Restoration and Modernization (R&M) (PE ***76F), depending on the requirement.

4. The funding sources change once a utility system is privatized. SRM previously accomplished using civil engineer resources, and service contracts associated with the privatized utility system are no longer required when the government ceases to own the system. Government SRM and O&S responsibilities are eliminated with utilities privatization, and a new contract for all operation, maintenance, service, and repair of the utility system is created. The new (privatization) contract is funded within the RPS

account. Therefore, the amount of SRM decrease resulting from privatization should be realigned into RPS and combined with any O&S already in RPS. Responsibilities to ensure proper cost accounting and funding for UP systems are outlined as follows:

- a. MAJCOMs shall use the status quo costs (historical record of what has been spent annually on the system) to offset the privatized cost (bid). The status quo cost is the SRM costs associated with the privatized utility system as identified in the certified economic analysis (CEA) for the UP award. This includes requirements from the current year of execution through the FYDP. This cost will be applied as an offset against funding the new utility service contract.
- b. MAJCOMs must identify all Restoration & Modernization (R&M) (O&M) funds for the utility system for the current year of execution. Programmed R&M (O&M) funds across the FYDP for the system should also be included as applicable, and applied as an offset against funding the new utility service contract.
- c. MAJCOMs must identify all O&S costs currently budgeted in RPS for the utility system being privatized (e.g., plant operations for a wastewater system currently funded in RPS). Do not include commodity costs unless the commodity is an integral part of the new UP contract (i.e., the cost of electricity currently funded in RPS). O&S costs will be applied as an offset against funding the new utility service contract.
- d. MAJCOMs must realign the total SRM (identified in a and b above) into RPS. This, together with the RPS identified in c above, becomes funding which is available to pay for the new UP contract.
- e. MAJCOMs may also identify the cost of post-award contract management, including contract oversight, quality assurance evaluation, price-redetermination requirements (if any), and any one-time transitions costs for the award of the new UP contract. These costs are limited to the values specifically identified in the CEA of the system being privatized, and validated by HQ AFCESA/CEO.
- f. MAJCOMs must begin (and continue) to program for all awarded UP contract requirements in the next available PBR cycle (e.g., FY06). For the period following award until funds are available from the next PBR cycle, AF/ILEX will review the requirements and, as resources are available within the existing Air Staff withhold account, centrally fund the difference between the UP cost (bid) and the amounts identified in d. and e. above. MAJCOMs may request the difference from HQ USAF/ILEXO. Requests will be coordinated through the MAJCOM/FM and HQ AFCESA/CEO. AF/ILEXO will coordinate with AF/ILER and AF/ILEP before requesting funds distribution through SAF/FMBOO. MAJCOMS shall submit these requests not less than 60 days prior to actual UP contract start date. AF/ILEX will advocate and program for resources to continue this funding until MAJCOMs receive distribution from their first available PBR cycle. If resources are available, this will enable the MAJCOMs to execute 100% of all economically feasible UP contracts. If

sufficient resources are not available, HQ USAF/ILEX will prepare all documentation and advocate for the additional requirements through the Air Force Corporate process.

5. Once the system is privatized, accurate cost accounting is the key to success. To ensure proper cost accounting within the RPS account resulting from UP contract increases, the following policy is established for use of EEICs:

a. If the new owner of an installation utility system is the current utility commodity provider operating under the rules of a state regulatory agency, and they are charging the government a tariff rate without identifying any breakout for SRM type costs, use the existing EEIC for the utility commodity to record the total RPS requirement.

b. If the new owner charges a separate SRM-type fee in addition to the commodity, use the following UP accounting table for the new EEIC and RC/CC code that applies:

COMMODITY	EEICs FOR UP CONTRACTS	RC/CC CODE
UP - Water Distribution & Treatment	480UW	XX4468
UP - Electrical Distribution	480UE	XX4468
UP - Natural Gas Distribution	480UG	XX4468
UP – Wastewater Collection & Treatment	480US	XX4468

c. For internal Air Force use: For UP program management activities through the Air Force Civil Engineer Support Agency (AFCESA) use the following:

COMMODITY	EEICs FOR UP CONTRACTS	RC/CC CODE
UP – AFCESA Mgt/Miscellaneous	480AM	XX4468